

**HB 645 - Stimulus Bill**  
**Joint Appropriations Subcommittee on Health and Human Services**  
**MHCA Budget Priorities**  
**for Nursing Homes and Assisted Living**

1. **Provider rate increase for nursing homes.** Needed to cover the cost of inflation in the goods and services we purchase and contract for. Medicaid rates are currently \$10 per patient day below the actual documented cost of care. If nursing homes receive a rate increase of 3.5% each year of the biennium, at the end of the biennium rates will still be about \$10 per patient day below the cost of care - but at least we will not have lost additional ground.

**Cost:** FY 2010 \$1.3M GF      FY 2011 \$2.7M GF

**Justification:** Nursing Home stabilization. This funding will help facilities that receive medicaid funding to maintain current level of services and quality to residents. To avoid staffing and other cuts that will otherwise occur.

2. **Provider rate increase for assisted living.** We are asking for an increase of \$5 per day for FY 2010 and an additional \$5 per day for FY 2011 to improve access to assisted living services under the waiver. This is not an "inflationary" increase - but is designed to "catch up" rates that are so low that access has become a problem. We are beginning to develop a two-tier system in assisted living - where Medicaid beneficiaries are treated differently than others. Facilities are doing this as a way to accommodate Medicaid beneficiaries but it is not a good trend.

**Cost:** FY 2010 \$220,000 GF      FY 2012 \$446,000 GF

**Justification:** Waiver service stabilization and access. Waiver slots have been approved to serve the waiting list. About half of the people on the waiting list are waiting for assisted living services. In order to accomplish the goals of the new slots, to assure access and choice, and to be able to continue the nursing home transition program, it is necessary to improve access to assisted living services. Without additional funding it is likely that access to this service will continue to decline. Assisted living facilities do not benefit from wage payments or the health care insurance programs.

3. **Wages or lump sum incentive payments for staff.** Should include direct care staff as well as other low paid staff - dietary, housekeeping, maintenance, etc. We estimate that the number of employees meeting this definition for nursing homes would be about 4,500. A \$1,000 payment to each worker is equal to just under a 50-cent per hour payment. If you made the payment each year of the biennium the cost would be approximately as outlined below.

**Cost:** FY 2010 \$1.17M GF      FY 2012 \$1.17M GF

**Justification:** Stimulus payment for low income workers. Without ongoing provider rate increases, nursing homes will not be in a position to raise the hourly wages of their employees, even though those employees are experiencing the same increases in costs that we all are experiencing. With OTO funding, a lump sum payment can be

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made on July 1 of each year. These payments will help these hard-working individuals and also help the economy. Payments made to these individuals is likely to be spent quickly in communities all over the state. This will also help avoid staff cuts and cuts in hours already being experienced in some facilities.

4. **Equipment and Capital Improvements.**

- a. **Quality improvement and safety grants.** This funding could be available for equipment such as electric beds, lifts, bathing systems, specialized mattresses to reduce pressure, alarm and security system updates, etc. This equipment would improve quality of care and safety of residents and also benefit employees in terms of safety and injury prevention. If each nursing home in the state (87) identified \$100,000 worth of equipment that would improve the lives of residents and staff, the total cost would be \$8.7M total funds, or \$2.2M GF. The amount allocated could be more or less than \$100,000 per facility and the cost would change accordingly. DPHHS would have to allocate the funding among facilities based on Medicaid utilization in order for this funding to qualify as Medicaid payments and qualify for Medicaid matching funds.
- b. **Other capital improvements.** Facilities have identified a number of capital improvements that could be funded with OTO. These include renovations consistent with the Federal government's push for culture change, such as room conversions and improvement of common areas such as bathing, dining and recreation areas. Paving of outdoor walkways to better comply with standards for egress as well as other outdoor improvements up to and including new roofs have been mentioned. As in the equipment funding above, the legislature could determine an amount of money available and it could be allocated according to Medicaid utilization.

**Justification.** Equipment and capital improvements will help stabilize our facilities, which tend to be older buildings. They will also improve the quality of care, health and safety of our residents. Updated equipment will improve staff safety (for example, lifts). These purchases and projects will also serve to stimulate the economy.

5. **Enhanced federal match rate.** Each of these proposals are eligible to receive Medicaid matching funds. Our cost estimates are based on the program taking full advantage of the enhanced federal match rate.

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## NURSING HOMES - HB 2 Compromise

The HB 2 compromise did the following with respect to nursing homes:

1. Provider rate increase. About .2% per year, or about 25¢ per patient day the first year and an additional 25¢ per patient day the second year. Added about \$328,000 in state funds over the biennium.
2. Case load. Cut about \$1M state funds over the biennium. We believe this is the only provider whose caseload has been cut below the Department's estimates.
3. Wage increase. About 21¢ per hour the first year of the biennium and an additional 21¢ per hour the second year. Funding appears to be insufficient to cover all of the lower paid workers such as dietary, housekeeping, laundry, etc.
4. One Time Only. Removed about \$10M in state funds and \$20 M in federal matching funds from the Senior and Long Term Care Division's base budget and added it back in as OTO. Directed DPHHS to start planning immediately to identify ways to cut this amount of money from the budget when it prepares the 2013 biennium budget. The cuts outlined include cutting Medicaid services and eligibility. We can only assume that nursing homes will share a significant portion of that cut.